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|----------------|---|--------------------|
| Docket         | : | <u>A.15-05-008</u> |
| Exhibit Number | : | <u>ORA-08</u>      |
| Commissioner   | : | <u>L. Randolph</u> |
| ALJ            | : | <u>K. McDonald</u> |
| Witness        | : | <u>M. Kanter</u>   |



**OFFICE OF RATEPAYER ADVOCATES  
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations  
for  
Liberty Utilities  
(formerly CalPeco Electric)  
Test Year 2016  
General Rate Case**

**(Sales, Customers, and Revenues Forecast)**

San Francisco, California  
November 9, 2015

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# Sales, Customers, and Revenues Forecast

## I. INTRODUCTION

This exhibit presents the analyses and recommendations of the Office of Ratepayer Advocates (ORA) regarding the sales, revenues, and customers proposal of Liberty Utilities (Liberty or LU) for Test Year (TY) 2016.

Section II presents DRA's Summary and Recommendations. Section III presents an overview of Liberty's request and the analysis DRA conducted.

## II. SUMMARY OF RECOMMENDATIONS

ORA analyzed Liberty's methodology for extrapolating sales, revenues, and customers for TY 2016. A comparison of ORA's and Liberty's Test Year estimates for sales, customers and revenues is presented in Table 8-1 below.

**Table 8-1**  
**Liberty TY2016 Forecasts**

| Description<br>(a) | ORA<br>Recommended<br>(b) | Liberty<br>Proposed<br>(c) | Amount<br>LU>ORA<br>(d=c-b) | Percentage<br>LU>ORA<br>(e=d/b) |
|--------------------|---------------------------|----------------------------|-----------------------------|---------------------------------|
| Sales              | 611,347,970               | 611,347,970 <sup>1</sup>   | 0                           | 0.00%                           |
| Customers          | 46,683                    | 46,910 <sup>2</sup>        | 227                         | .49%                            |
| Revenues           | \$91,287,000              | \$91,287,000 <sup>3</sup>  | \$0                         | 0.00%                           |

<sup>1</sup> Response to ORA-007-MRK - Excel spread sheet attachment titled "Attachment 4 to ORA-007-MRK."

<sup>2</sup> Response to ORA-046-MRK Request 1 – Excel spread sheet attachment titled "Attachment to ORA-046-MRK –Request 1 and 2."

<sup>3</sup> Ex. Liberty-01, p. 7-3, line 20 (p. 196 of 253).

### III. Liberty Sales, Customers, and Revenues

#### A. Overview of Liberty's Request and ORA's Recommendations

Liberty's forecasts for sales, revenues, and customers were developed by rate class. Liberty used historic monthly billing data to develop monthly use as well as customer counts by customer class. Liberty used billing period start and end dates to develop calendar monthly data. Monthly calendar usage data was converted to usage per customer. Regression models were used to forecast number of customers and use per customer per customer class. The regression models were combined to forecast the sales per Liberty's methodology for extrapolating sales, revenues, and customers for TY 2016.

ORA has developed separate estimates for Liberty's customer forecasts. The forecasts for the years 2015 to 2020 are summarized in the table below. Table 8-2 includes both Liberty's and ORA's forecasts for comparison.

**Table 8-2**  
**Liberty Customers**  
**Recorded 2015 and Forecasted 2016-2020**

| Year | ORA<br>Res | Liberty<br>Res | NonRes<br>A1 | NonRes<br>A2 | A3<br>Non<br>Ski | A3<br>Ski | ORA<br>Total | LIBERTY<br>Total | LIBERTY<br>>ORA | PERCENT |
|------|------------|----------------|--------------|--------------|------------------|-----------|--------------|------------------|-----------------|---------|
| 2015 | 41,192     | 41,402         | 4,993        | 209          | 47               | 10        | 46,451       | 46,660           | 209             | 0.45%   |
| 2016 | 41,387     | 41,614         | 5,030        | 209          | 47               | 10        | 46,683       | 46,910           | 227             | 0.49%   |
| 2017 | 41,582     | 41,826         | 5,068        | 208          | 48               | 10        | 46,916       | 47,160           | 244             | 0.52%   |
| 2018 | 41,784     | 42,046         | 5,106        | 207          | 48               | 10        | 47,156       | 47,417           | 261             | 0.55%   |
| 2019 | 41,993     | 42,272         | 5,144        | 207          | 49               | 10        | 47,403       | 47,681           | 279             | 0.59%   |
| 2020 | 42,202     | 42,498         | 5,182        | 206          | 49               | 10        | 47,649       | 47,945           | 296             | 0.62%   |

Source: Liberty Exhibit 1- Chapter 7, WP 1.7.3 (p.60 of 247), as modified by ORA to get annual numbers from Liberty's monthly numbers.

## B. ORA's Analysis

During the July 7, 2015 review with the ORA GRC Team, Liberty explained that a dummy variable was included in the residential customer model because of data problems for the months July-October 2014, but the data problems had been corrected after testimony had been filed. Liberty provided ORA with the corrected data in response to the data request ORA-018-MRK.

The data problems affected only the subclass of permanent residential customers. A comparison of ORA's and Liberty's Test Year estimates for residential customers is presented in Table 8-3 below.

**Table 8-3**  
**Residential Liberty Customers**

| Year | CARE  | Seasonal | ORA<br>Permanent | Liberty<br>Permanent | LIBERTY<br>>ORA | PERCENT | ORA<br>Res | Liberty<br>Res | LIBERTY<br>>ORA | PERCENT |
|------|-------|----------|------------------|----------------------|-----------------|---------|------------|----------------|-----------------|---------|
| 2015 | 3,861 | 23,033   | 14,298           | 14,508               | 209             | 1.46%   | 41,192     | 41,402         | 209             | 0.51%   |
| 2016 | 4,510 | 23,216   | 13,662           | 13,889               | 227             | 1.66%   | 41,387     | 41,614         | 227             | 0.55%   |
| 2017 | 4,812 | 23,398   | 13,372           | 13,616               | 244             | 1.83%   | 41,582     | 41,826         | 244             | 0.59%   |
| 2018 | 4,970 | 23,581   | 13,234           | 13,495               | 261             | 1.97%   | 41,784     | 42,046         | 261             | 0.63%   |
| 2019 | 5,010 | 23,763   | 13,219           | 13,498               | 279             | 2.11%   | 41,993     | 42,272         | 279             | 0.66%   |
| 2020 | 5,051 | 23,946   | 13,205           | 13,500               | 296             | 2.24%   | 42,202     | 42,498         | 296             | 0.70%   |

Source: Liberty's Response to ORA-018-MRK Request 2.

The difference between Liberty's customer estimates and ORA's customer estimates in the table are due to the Liberty subclass of permanent residential customers. ORA used the corrected permanent residential customer estimates provided in response to ORA-018-MRK, rather than relying on an extraneous dummy variable as Liberty had done in its testimony.